Canadian Home Builders' Association

Association canadienne des constructeurs d'habitations

NEWS RELEASE

Municipal development charges barrier to jobs and growth, report says

OTTAWA, March 16, 2009 -- Municipalities are limiting the opportunities for economic recovery and are making the current recession worse by continuing to impose development charges on the cost of new homes, according to a report released today by the Canadian Home Builders' Association (CHBA).

The report by Altus Group Economic Consulting says that since the economic downturn development charges "are clearly having a noticeably negative effect on the health of the Canadian housing market, for both home builders and their customers."

CHBA President Gary Friend of Surrey, B.C. said the report shows this is an ideal time -- as lower levels of construction cut revenue from development charges dramatically -- for municipalities to re-evaluate their reliance on those charges.

Mr. Friend said municipalities are learning that they can no longer rely on development charges and new home buyers to balance their budgets and development charges undermine the economic growth that municipalities depend on. "They are a barrier to economic recovery, job creation and future prosperity."

The report points out that the residential construction industry is a significant contributor to the economy. "Altus Group Economic Consulting has determined that incremental addition of some 10,000 new single-family housing starts provides jobs for some 19,340 persons, directly and indirectly." Those starts lead to a rise of some $3.3 billion in economic production and boost household income by some $1.3 billion.

"Reducing and eliminating development charges will help substantially to improve housing affordability and encourage residential construction activity," the report says. Canada Mortgage and Housing Corporation (CMHC) has estimated that government levies, fees and development charges can total 18 per cent of the price of an entry-level new home.

The Altus Group report recommends that municipalities make greater use of alternatives to development charges, in particular debt financing, the property tax base and user fees. In the 2009 stimulus budget, the federal government allocated $2 billion in direct low-cost loans through CMHC to municipalities to finance housing-related infrastructure.

This is a strong signal to municipalities that they should be borrowing to invest, the report says. “These low-cost loans should lower the cost of borrowing for municipalities and can be used to fund the municipal contribution for cost-shared federal infrastructure programming.”

When municipalities borrow to finance growth-related infrastructure, the report points out, they can do so through instruments that match future revenues related to that infrastructure with future debt service requirements.

“They have the opportunity to move toward a more sustainable infrastructure financing model that is more effective and efficient and helps to support long-term stable growth in the community.”

New and upgraded basic infrastructure benefits the entire community and delivers benefits over time. “The costs associated with such an investment should be borne across the entire community and should be spread out over time to match, roughly, the productive life of the infrastructure.”

The Canadian Home Builders’ Association (CHBA) is the national voice of the residential construction industry, representing more than 8,000 member firms across the country. Membership comprises new home builders, renovators, developers, trade contractors, building material manufacturers and suppliers, lenders and other professionals in the housing sector.

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